

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Financial Report
For The Half-Year Ended
31 December 2006

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

HALF-YEAR FINANCIAL REPORT
For the Half Year Ended 31 December 2006

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COMPANY DIRECTORY

DIRECTORS

Ian Burston
(Non-Executive Chairman)

Antony WP Sage
(Executive Director)

Timothy P Turner
(Non-Executive Director)

Brian Maher
(Non-Executive Director)

COMPANY SECRETARY

Timothy P Turner

REGISTERED OFFICE

18 Oxford Close
LEEDERVILLE WA 6007
Telephone: (08) 9388 0744
Facsimile: (08) 9382 1411

AUDITORS

Ernst & Young
Chartered Accountants & Business Advisors
11 Mounts Bay Rd
PERTH WA 6000
Telephone: (08) 9429 2222
Facsimile: (08) 9429 2436

SHARE REGISTRAR

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
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STOCK EXCHANGE LISTING

Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE, CFEO

CAPE LAMBERT IRON ORE LIMITED
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INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2006.

DIRECTORS

The names of Directors who held office during or since the end of the half year are set out below. Directors were in office for this entire period unless otherwise stated.

Ian Burston
Antony Sage
Timothy Turner
Brian Maher

REVIEW OF OPERATIONS

RESULTS

The consolidated entity made an after tax loss for the half year of \$3,294,833 (2005: \$15,550,250). The large loss for the six months is largely due to the impairment of exploration assets in relation to the Romanian SACU Project resulting in an additional expense of \$2,106,137.

CAPE LAMBERT IRON ORE PROJECT

Work continued during the half year toward the preparation of a bankable feasibility study and commenced in respect to Project environmental permits for the Cape Lambert Iron Ore Project (“**Project**”).

Resource definition drilling at the Project commenced in early July within the central target area and continued up to 15 December 2006 when drilling was ceased for the Christmas/New Year period. The Company had completed 69 Reverse Circulation (“RC”) drill holes for a total advance of 18,052 metres.

The Company is scheduling the recommencement of RC drilling in early April, once the RC rig is available and all outstanding DTR results have been received and interpreted. Priority drill targets will be immediately to the north of the central target area and along strike and down-dip of drill holes MA209 and MA210, which returned thick DTR intercepts of 164 and 202 metres respectively with high Fe concentrate grades and low deleterious elements (refer ASX releases dated 12 and 19 December 2006). The mineralisation in this area is open along strike and down-dip.

Work also commenced during the quarter on consolidating Robe’s drilling data along with new drill data into a single digital database in anticipation of preparing a resource concentrate model for preliminary open pit mining studies. This necessitated the installation of a new server and appropriate database software.

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INTERIM FINANCIAL REPORT
DIRECTORS' REPORT

METALLURGICAL FLOW SHEET DEVELOPMENT

The Company has retained Met-Chem Canada Inc to provide metallurgical design services. Met-Chem is an internationally renowned, Canadian based, consulting engineering company providing services in the mining, metallurgical and mineral processing sectors. It is wholly owned by, and provides services to, US Steel Corporation and has considerable expertise in magnetite processing and pelletising as they relate to iron ore and steel production.

Met-Chem's scope includes a detailed review of all recent and historical metallurgical test work, providing recommendations on additional metallurgical test work and preparing process flowsheets for engineering design.

PORT SITE SELECTION

The Company has appointed URS Australia Pty Ltd ("URS") to identify and assess potential port sites for the Project. The team undertaking this exercise is working closely with environmental consultants, local stakeholders and the Cape Lambert Marketing group to identify the most appropriate site with respect to a range of shipping, environmental, social and economic criteria. It is anticipated that one or two preferred sites will be identified and these sites will subsequently be subject to a more detailed assessment for final site selection.

ENVIRONMENTAL APPROVALS

The Company has also retained URS to prepare the environmental impact assessment(s) required for the Western Australian Minister of the Environment to approve the development of the Project. URS has extensive experience in the preparation of environmental impact assessments for large resource projects, with specific expertise in the Pilbara.

CORPORATE

MOU FOR EQUITY STAKE AS PART OF OFF-TAKE AGREEMENT

On 17 October 2006, the Company announced Xinxing Iron Pipes Co., Ltd signed an MOU confirming its intention to take a significant equity stake of up to 57 million shares or 19.9% of the issued capital, whichever is the higher, in Cape Lambert. Xinxing is a Szechwen Stock Exchange listed company, one of the largest Chinese steel pipe manufactures with an annual turnover in excess of US\$1.3 billion.

The acquisition of equity will grant Xinxing "first right of refusal" to negotiate an off-take agreement for magnetite concentrate from the Project. Negotiations are continuing.

ROMANIAN GOLD/COPPER PROJECT ('SACU') FARM-OUT

On 11 October 2006, the Company announced it had signed a farm-out agreement with Spalding Ltd ("**Spalding**") for the Company's Sacu gold/copper Project, located in the "Golden Quadrilateral" area of Romania.

Under the terms of the agreement, Spalding can earn 80% of this highly prospective gold/copper project in a known mineralisation province through the expenditure of US\$2million over a period of two (2) years.

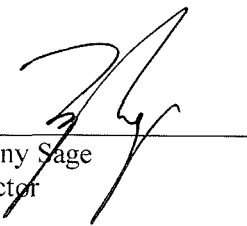
**CAPE LAMBERT IRON ORE LIMITED
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**INTERIM FINANCIAL REPORT
DIRECTORS' REPORT**

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors.

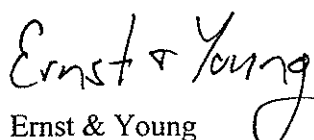


Antony Sage
Director

Dated this 16th day of March 2007

Auditor's Independence Declaration to the Directors of Cape Lambert Iron Ore Ltd

In relation to our review of the financial report of Cape Lambert Iron Ore Ltd for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.


Ernst & Young



P McIver
Partner
Perth
16 March 2007

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

CONSOLIDATED INCOME STATEMENT
For the Half-Year Ended 31 December 2006

		Consolidated	
	Note	31 December 2006 \$	31 December 2005 \$
Continuing Operations			
Revenue	2	694,398	121,252
Other income		-	368,207
Employee benefits expense		(1,027,991)	(1,495,836)
Corporate and other administration expenses		(707,325)	(159,837)
Consultancy costs		(637,398)	(45,672)
Compliance and regulatory expenses		(45,628)	(48,175)
Net fair value increment on held for trading investments		605,510	-
Depreciation and amortisation expense		(27,259)	(34,125)
Occupancy costs		(43,003)	-
Impairment of exploration expenditure	8	(2,106,137)	(14,256,064)
Loss before income tax		(3,294,833)	(15,550,250)
Income tax expense		-	-
Loss attributable to members of the parent entity		(3,294,833)	(15,550,250)
Basic loss per share (cents per share)		(1.32)	(10.44)
Diluted loss per share (cents per share)		(1.32)	(10.44)

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

		Consolidated	
	Note	31 December 2006 \$	30 June 2006 \$
CURRENT ASSETS			
Cash and cash equivalents	7	8,527,619	12,709,573
Trade and other receivables		656,140	390,508
Prepayments		9,882	-
		<u>9,193,641</u>	<u>13,100,081</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Trade and other receivables		13,194	-
Financial assets		3,300,395	2,810,016
Other non-current assets		142,111	155,376
Plant and equipment		211,077	151,650
Exploration, evaluation and development expenditure	8	35,741,482	34,504,276
		<u>39,408,259</u>	<u>37,621,318</u>
TOTAL NON-CURRENT ASSETS			
		<u>48,601,900</u>	<u>50,721,399</u>
TOTAL ASSETS			
CURRENT LIABILITIES			
Trade and other payables		1,056,229	879,216
		<u>1,056,229</u>	<u>879,216</u>
TOTAL CURRENT LIABILITIES			
		<u>1,056,229</u>	<u>879,216</u>
TOTAL LIABILITIES			
		<u>47,545,671</u>	<u>49,842,183</u>
NET ASSETS			
EQUITY			
Issued capital		52,993,719	52,993,719
Reserves		17,663,229	16,664,908
Accumulated losses		(23,111,277)	(19,816,444)
		<u>47,545,671</u>	<u>49,842,183</u>
TOTAL EQUITY			

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2006

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2005	31,169,764	(4,744,960)	-	-	26,424,804
Revaluation of available for sale financial assets	-	-	-	1,785,154	1,785,154
Loss attributable to members	-	(15,550,250)	-	-	(15,550,250)
Shares issued during the period	33,000,000	-	-	-	33,000,000
Transaction costs	(5,516,994)	-	-	-	(5,516,994)
Value of options issued to Directors	-	-	1,258,203	-	1,258,203
Value of options issued to Consultants	-	-	3,780,119	-	3,780,119
Value of options issued for acquisitions	-	-	11,488,456	-	11,488,456
Balance at 31 December 2005	58,652,770	(20,295,210)	16,526,778	1,785,154	56,669,492
Balance at 1 July 2006	52,993,719	(19,816,444)	16,526,778	138,130	49,842,183
Available for sale financial instruments					
• Reversal of valuation gain taken to equity	-	-	-	(138,130)	(138,130)
Loss attributable to members	-	(3,294,833)	-	-	(3,294,833)
Value of options issued to Directors	-	-	708,915	-	708,915
Value of options issued to Employees	-	-	19,849	-	19,849
Value of options issued to Consultants	-	-	407,687	-	407,687
Balance at 31 December 2006	52,993,719	(23,111,277)	17,663,229	-	47,545,671

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
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CONSOLIDATED CASH FLOW STATEMENT
For the Half-Year Ended 31 December 2006

			Consolidated	
	Note	31 December 2006 \$	31 December 2005 \$	
CASHFLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees		(1,572,068)	(281,510)	
Interest and bill discounts received		369,925	53,423	
Payments for exploration and evaluation		(3,176,447)	(1,083,985)	
Receipts – other		313,000	-	
		<u> </u>	<u> </u>	
Net cash used in operating activities		<u>(4,065,590)</u>	<u>(1,312,072)</u>	
CASHFLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(86,686)	(3,225)	
Proceeds from sale of equity investments		172,657	156,708	
Payment for equity investments		(202,335)	-	
Payment to trust deposit		-	(9,951,144)	
		<u> </u>	<u> </u>	
Net cash used in investing activities		<u>(116,364)</u>	<u>(9,797,661)</u>	
CASHFLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		-	22,002,960	
Payments for costs of issue of shares		-	(1,229,470)	
		<u> </u>	<u> </u>	
Net cash from financing activities		<u>-</u>	<u>20,773,490</u>	
Net increase/(decrease) in cash and cash equivalents		(4,181,954)	9,663,757	
Cash and cash equivalents at the beginning of the period		<u>12,709,573</u>	<u>1,054,704</u>	
Cash and cash equivalents at the end of the period	7	<u><u>8,527,619</u></u>	<u><u>10,718,461</u></u>	

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
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NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2006

1. BASIS OF PREPARATION

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Cape Lambert Iron Ore Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Reporting Basis and Conventions

The half-year consolidated financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of held for trading and available for sale financial instruments for which the fair value basis of accounting has been applied.

For the purpose of preparing the half-year consolidated financial report the half-year has been treated as a discreet reporting period.

The financial report of Cape Lambert Iron Ore Limited (the **Company**) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 16 March 2007. The Company is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

CAPE LAMBERT IRON ORE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2006

2. REVENUE	31 December 2006 \$	31 December 2005 \$
Interest	311,729	121,252
Revenue from services	382,669	--
	<u>694,398</u>	<u>121,252</u>

3. SEGMENT INFORMATION

Primary reporting - Geographical Segments

The consolidated entity operates in two main geographical segments:

Australia: The home country of the parent entity which is the main operating entity. The area of operation is Mineral Exploration.

Romania: Comprises operations in Mineral Exploration only. All administration for the Romanian assets is performed in Australia.

Primary Reporting – Geographical Segments	\$	\$	\$
	Australia	Romania	Consolidated
31 December 2006			
Revenue from services	<u>382,669</u>	<u>-</u>	<u>382,669</u>
Segment result (loss) before finance costs or revenues and gains or losses on investments	<u>(2,106,675)</u>	<u>(2,105,397)</u>	<u>(4,212,072)</u>
Segment assets	<u>47,901,900</u>	<u>700,000</u>	<u>48,601,900</u>
Segment liabilities	<u>1,056,229</u>	<u>-</u>	<u>1,056,229</u>
Primary Reporting – Geographical Segments	\$	\$	\$
	Australia	Romania	Consolidated
31 December 2005			
Revenue from services	<u>-</u>	<u>-</u>	<u>-</u>
Segment result (loss) before finance costs or revenues and gains or losses on investments	<u>(15,671,502)</u>	<u>-</u>	<u>(15,671,502)</u>
Segment assets	<u>63,064,463</u>	<u>3,387,125</u>	<u>66,451,588</u>
Segment liabilities	<u>9,782,096</u>	<u>-</u>	<u>9,782,096</u>

Business Segments

The Economic Entity operates solely in Mineral Exploration.

CAPE LAMBERT IRON ORE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2006

4. SECURITIES ISSUED DURING THE PERIOD

During the period the Company issued the following securities:

- On 22 December 2006, the Company issued 16,400,000 options exercisable at \$0.40 each on or before 31 December 2007 issued to Brokers, Consultants, Staff and Directors as approved at the Annual General Meeting of shareholders held 28 November 2006. The options were valued at \$0.0611 each (total \$1,001,662) using the Black and Scholes Option Pricing Model on the following assumptions:

Stock price: 36 cents
Days to expiration: 374 days
Forecast volatility: 60%
Risk free rate: 5.58%
Discount for unlisted securities: 30%

- On 22 December 2006, the Company issued 3,300,000 options exercisable at \$0.90 each on or before 30 June 2008 issued to Directors as approved at the Annual General Meeting of shareholders held 28 November 2006. The options were valued at \$0.0195 each (total \$64,223) using the Black and Scholes Option Pricing Model on the following assumptions:

Stock price: 36 cents
Days to expiration: 555 days
Forecast volatility: 60%
Risk free rate: 5.58%
Discount for unlisted securities: 30%

- On 22 December 2006, the Company issued 3,300,000 options exercisable at \$1.40 each on or before 30 June 2009 issued to Directors as approved at the Annual General Meeting of shareholders held 28 November 2006. The options were valued at \$0.0214 each (total \$70,569) using the Black and Scholes Option Pricing Model on the following assumptions:

Stock price: 36 cents
Days to expiration: 920 days
Forecast volatility: 60%
Risk free rate: 5.58%
Discount for unlisted securities: 30%

5. CONTINGENT LIABILITIES

Since the last annual reporting date, there have been no material changes in any contingent liabilities

CAPE LAMBERT IRON ORE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2006

6. EVENTS SUBSEQUENT TO REPORTING DATE

On 15 January 2007, the Company announced it had signed an agreement with Norwest Sand and Gravel Pty Ltd for an option to acquire tenements E47/1233, E47/1248 and E47/1271. The tenements are strategically located adjacent to, and contiguous with the Cape Lambert Project tenement (EL47/1462). The mineralisation identified in drill holes MA210 and MA209 is open down-dip to the south-east and potentially crosses into tenement EL47/1248.

During the option period, the Company intends to drill test for extensions of mineralisation into the tenements.

Other than detailed above, no event has arisen since 31 December 2006, that would be likely to materially affect the operations of the consolidated entity, or its state of affairs not otherwise disclosed in the entity's financial report.

7. CASH AND CASH EQUIVALENTS

	31 December 2006 \$	30 June 2006 \$
Cash at bank and in hand	<u>8,527,619</u>	<u>12,709,573</u>

CAPE LAMBERT IRON ORE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2006

8. EXPLORATION EVALUATION AND DEVELOPMENT ASSETS

	31 December 2006 \$	30 June 2006 \$	31 December 2005 \$
Costs carried forward in respect of areas of interest in:			
- Exploration and evaluation phases – at cost	4,253,027	3,015,821	7,351,267
- Development phase – at cost	-	-	3,057,692
- Fair value of exploration assets acquired	<u>31,488,455</u>	<u>31,488,455</u>	<u>31,488,455</u>
Carried forward exploration, evaluation and development expenditure	<u><u>35,741,482</u></u>	<u><u>34,504,276</u></u>	<u><u>41,897,414</u></u>
<i>(a) Exploration and evaluation phases</i>			
<i>Movement in carrying amounts</i>			
Brought forward	34,504,276	20,711,740	20,711,740
Impairment of exploration expenses (i)	(2,106,137)	(15,632,042)	(14,256,064)
Reversal of impairment on exploration assets acquired	-	493,725	-
Exploration and evaluation expenditure capitalised during the period	3,343,343	1,384,706	854,615
Acquisition of Mt Anketell Pty Ltd	-	31,488,455	31,488,455
Exploration assets disposed of during the period	<u>-</u>	<u>(3,942,308)</u>	<u>-</u>
<i>Total exploration and evaluation phases</i>	<u><u>35,741,482</u></u>	<u><u>34,504,276</u></u>	<u><u>38,798,746</u></u>
<i>(b) Development</i>			
<i>Movement in carrying amounts</i>			
Brought forward	-	3,057,692	3,057,692
Development expenditure capitalised during the period	-	-	-
Development expenditure disposed of during the period	<u>-</u>	<u>(3,057,692)</u>	<u>-</u>
At reporting date	<u>-</u>	<u>-</u>	<u>3,057,692</u>
Total	<u><u>35,741,482</u></u>	<u><u>34,504,276</u></u>	<u><u>41,856,438</u></u>

- (i) For the current period, an amount of \$2,106,137 was recorded as an impairment against the carrying value of the SACU Project, Romania.

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The consolidated entity's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

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DIRECTORS' DECLARATION
For the Half Year Ended 31 December 2006

In accordance with a resolution of the directors of Cape Lambert Iron Ore Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* including:

(i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Antony Sage
Director

Dated this 16th day of March 2007

To the members of Cape Lambert Iron Ore Ltd

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Cape Lambert Iron Ore Ltd and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Cape Lambert Iron Ore Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cape Lambert Iron Ore Ltd and the entities it controlled during the half-year is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.


Ernst & Young



P McIver
Partner
Perth
16 March 2007